SCHEDULE CA (540) – PART II STATE ITEMIZED DED.

Line 38
Federal itemized deductions

Enter itemized deductions from federal Schedule A, lines 4, 9, 15, 19, 20, 27, and 28.

Line 39
State and local income taxes

Enter the state and local tax or sales tax from federal Schedule A, line 5, and only the portion relating to foreign income taxes from line 8. If your clients deduct general sales tax, enter the amount of sales tax on this line.

Line 40
Subtract

Subtract line 39 from line 38. Enter the result here.

Line 41
Other adjustments

Enter the amount of California lottery losses from your client's federal Schedule A. Find other line 41 adjustments below:

- Adoption related expenses
- Mortgage interest credit
- Nontaxable income expenses
- Employee business expenses
- Investment interest expenses
- Federal estate tax
- Generation skipping transfer tax
- HSA Distributions
- Interest on loans from utility companies.
- Private Mortgage Insurance (PMI).

Some of these adjustments are additions and some are subtractions.

Line 42
Combine

Combine line 40 and line 41. This is the total amount of itemized deductions allowed on the state return. Compare this amount to the standard deduction allowed for your client's filing status. Take the larger of adjusted itemized deductions or the standard deduction and enter that amount on Form 540, line 18.

If your client can be claimed as a dependent on someone else's return, complete the "California Standard Deduction Worksheet for Dependents" available on page 22, *General information section*.

Line 43
CA Itemized Deductions

Is the amount on Form 540, line 13 more than the amount shown below for your clients' filing status?

Single or married filing separately, $155,416.

Married filing jointly/RDP or qualifying widow(er), $310,837

Head of household, $233,129

NO: Transfer the amount from line 42 to line 43.

YES: This amount is outside the scope of the volunteer program. See the instructions for Schedule CA (540).

TAX

Line 20
Tax

Determine your clients' tax by using the tax table in your clients' booklet or in this manual starting on page 161.

For additional information about tax, refer to the *General Information Section*.

Tax Rate Schedule
Taxpayers with taxable income, line 19, of $100,000 or more must use the Tax Rate Schedule to compute the amount of tax due. The tax rate schedule is beyond the scope of the VITA/TCE volunteer program. Taxwise correctly figures taxable income in excess of $100,000.

Line 21
Exemption credits

Enter the amount from line 11.

Line 22
Subtract

Subtract line 21 from line 20 and enter the result on line 22. If the amount on line 22 is less than zero, enter 0.

Line 23
Tax from Schedule G-1 and form FTB 5870A

This is beyond the scope of the VITA/TCE volunteer program.

Line 24
Add

Add line 22 and line 23 and enter the result on line 24. Continue to Side 2.

SPECIAL CREDITS AND NONREFUNDABLE RENTERS CREDIT

Line 25 through Line 27
Special Credits

A variety of additional credits are available to qualified clients to reduce their tax liability. To claim your clients' credits, figure the amount of the credit and enter the credit name, code number, and amount of the credit on line 28 through line 30. Consider the following question:

"Are your clients claiming any of the credits listed on the Credit Chart on pages 127 and 128?"

NO: Skip line 25 through line 27. Go to line 31.

YES: Figure the amount of your clients' credit or credits. Enter the total amount of credit and the credit code number on line 28 through line 30.

The next column begins a list of the most common credits. For a list of all the credit codes available, see pages 127 and 128.